



# *Annual Direct Loan Conference*

**Session 33**  
**Direct Loan Servicing Update**



## ***Presenters***

- **Dan Hayward, Director**  
Direct Loan Servicing  
SFA Student Channel, Repayment
  
- **Sue Szabo, Vice President**  
Direct Loan Servicing Center, Rockville  
AFSA Data Corp

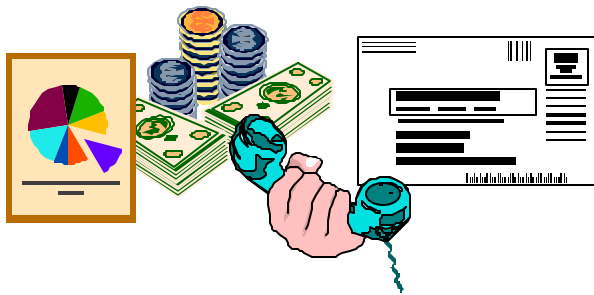


# ***Agenda***

- Introductions
- Direct Loan Program Update
  - Program Snap-Shot
  - Trends and Statistics
- Default Prevention
- Cohort Default Rate Appeal Process
- Development Update
  - What We've Done
  - What We're Doing



# Direct Loan Program Update



An Update By  
Sue Szabo



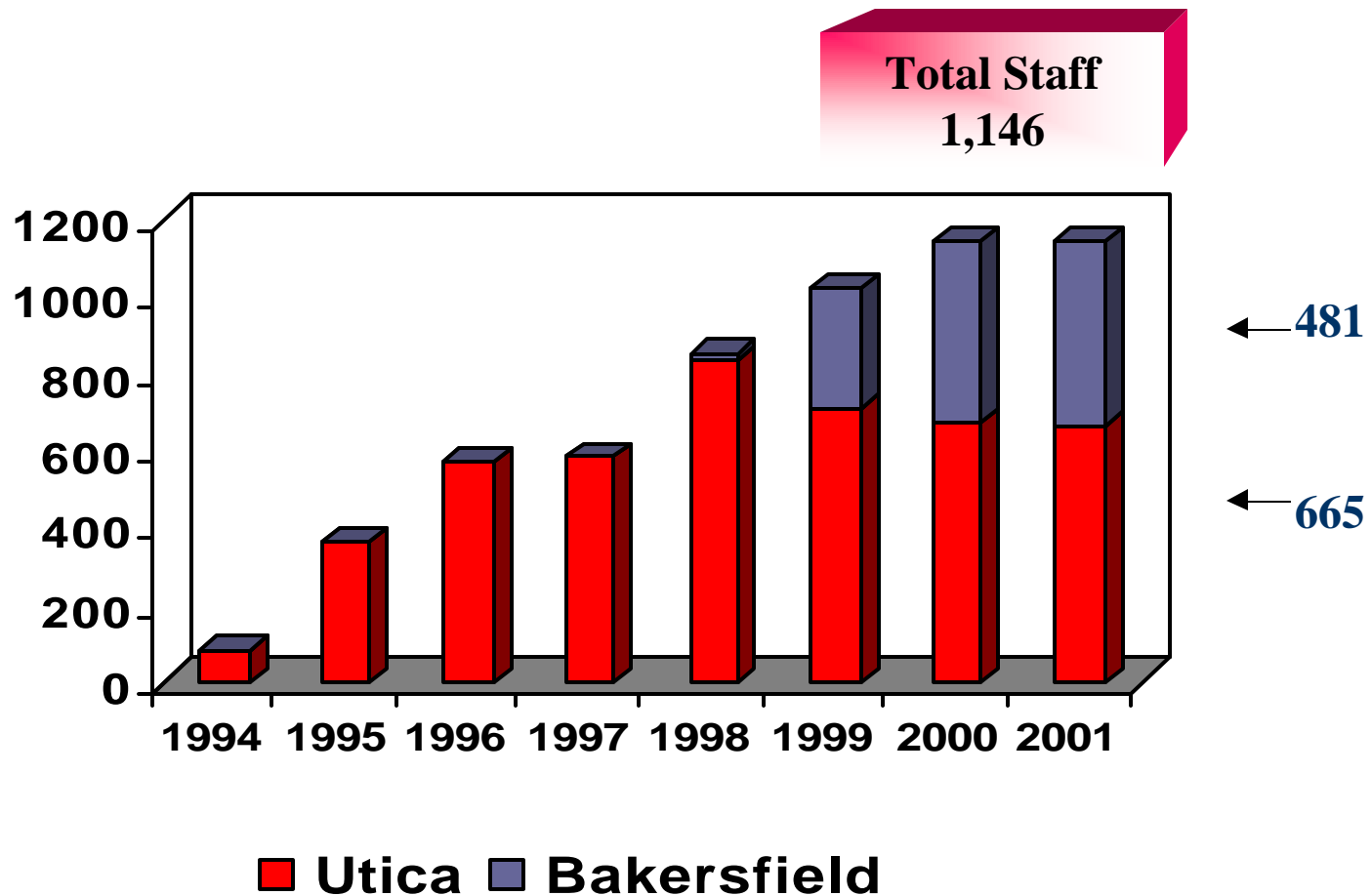
## ***A Program Snap-Shot***

### **Direct Loan Activity As of January 2001**

- 5,132,535 Direct Loan Borrowers
- 19,700,177 Booked Loans (\$73 Billion)
- 52,343,401 Payments Received (\$11 Billion)
- 328,065 Borrowers using EDA  
(Electronic Debit Account)



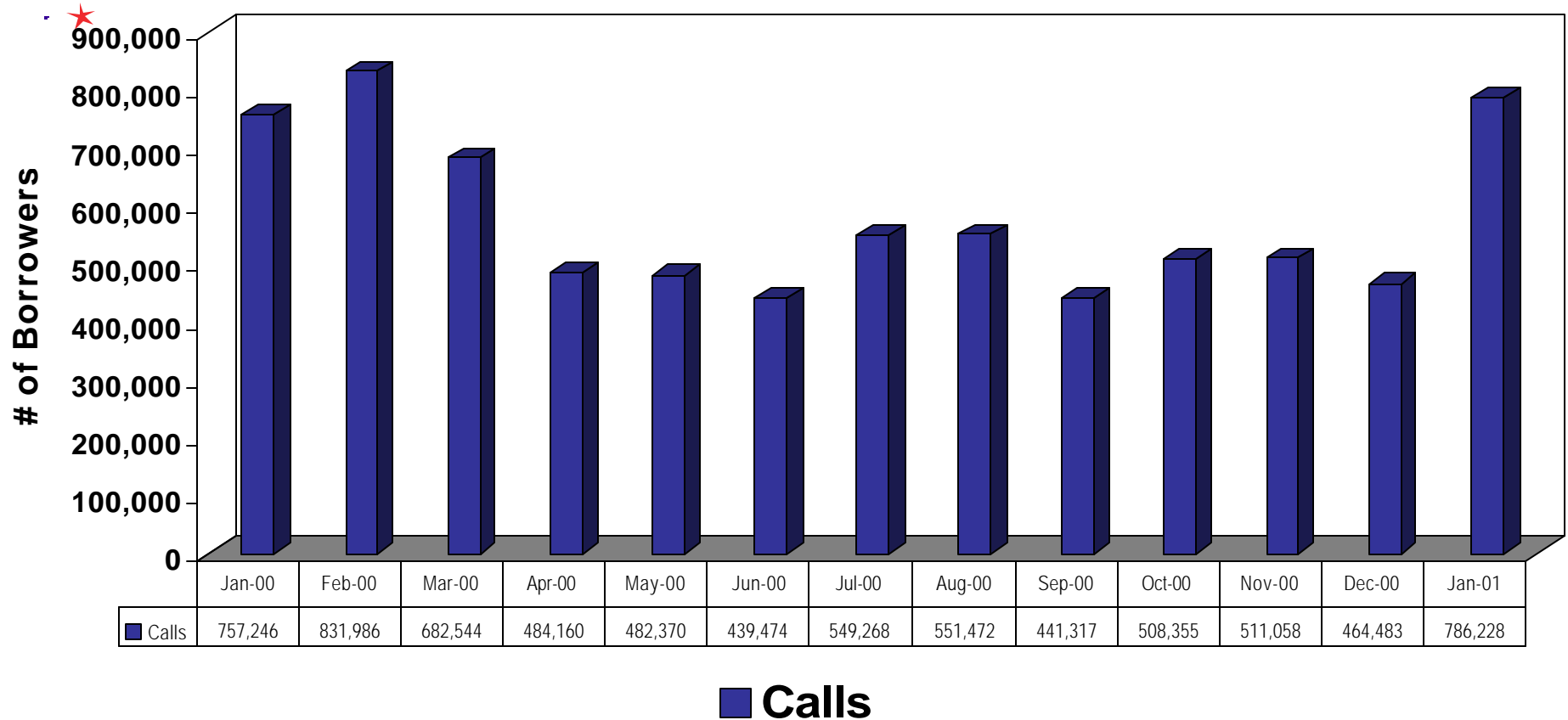
# ***Trends and Statistics Staffing Levels***





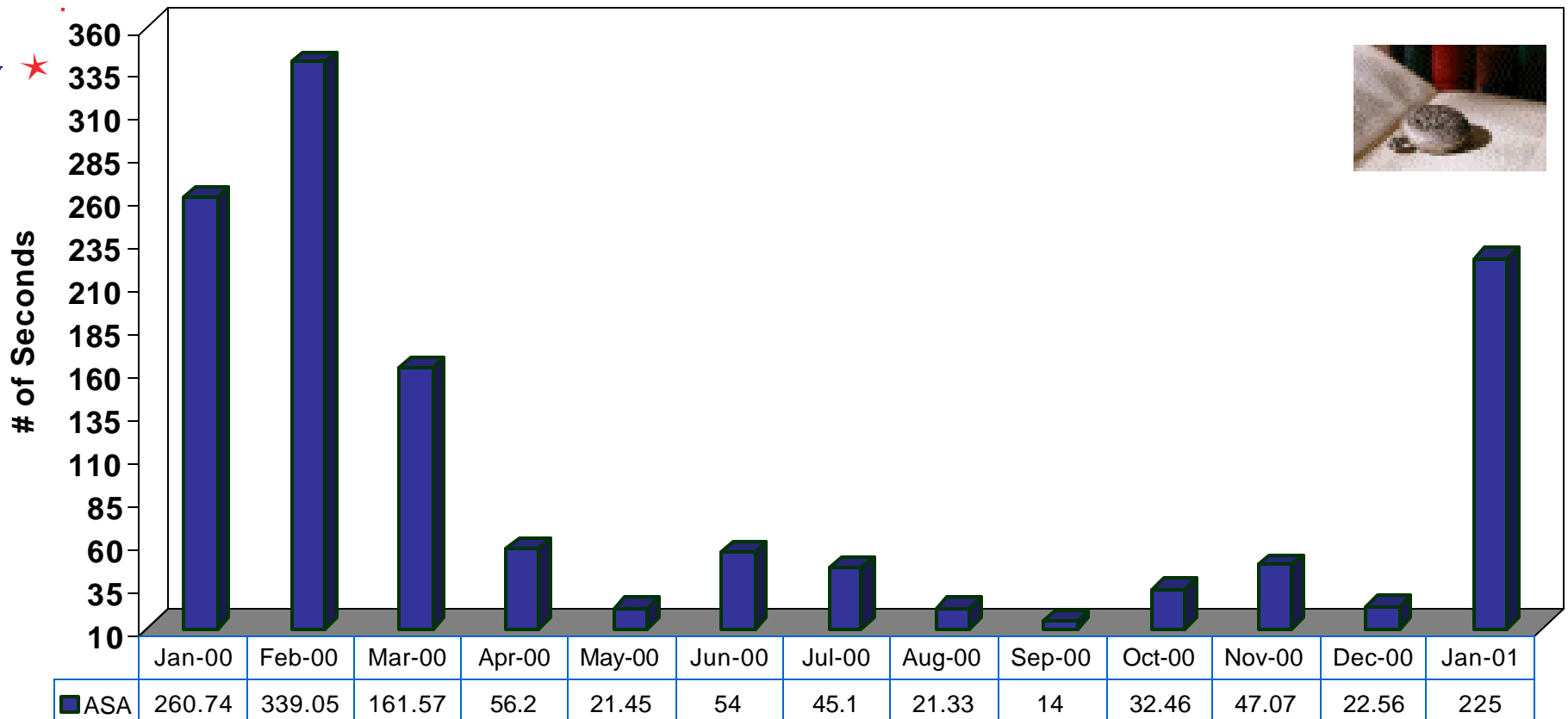
# Incoming Call Volume

**Program-To-Date**  
**23,732,688**





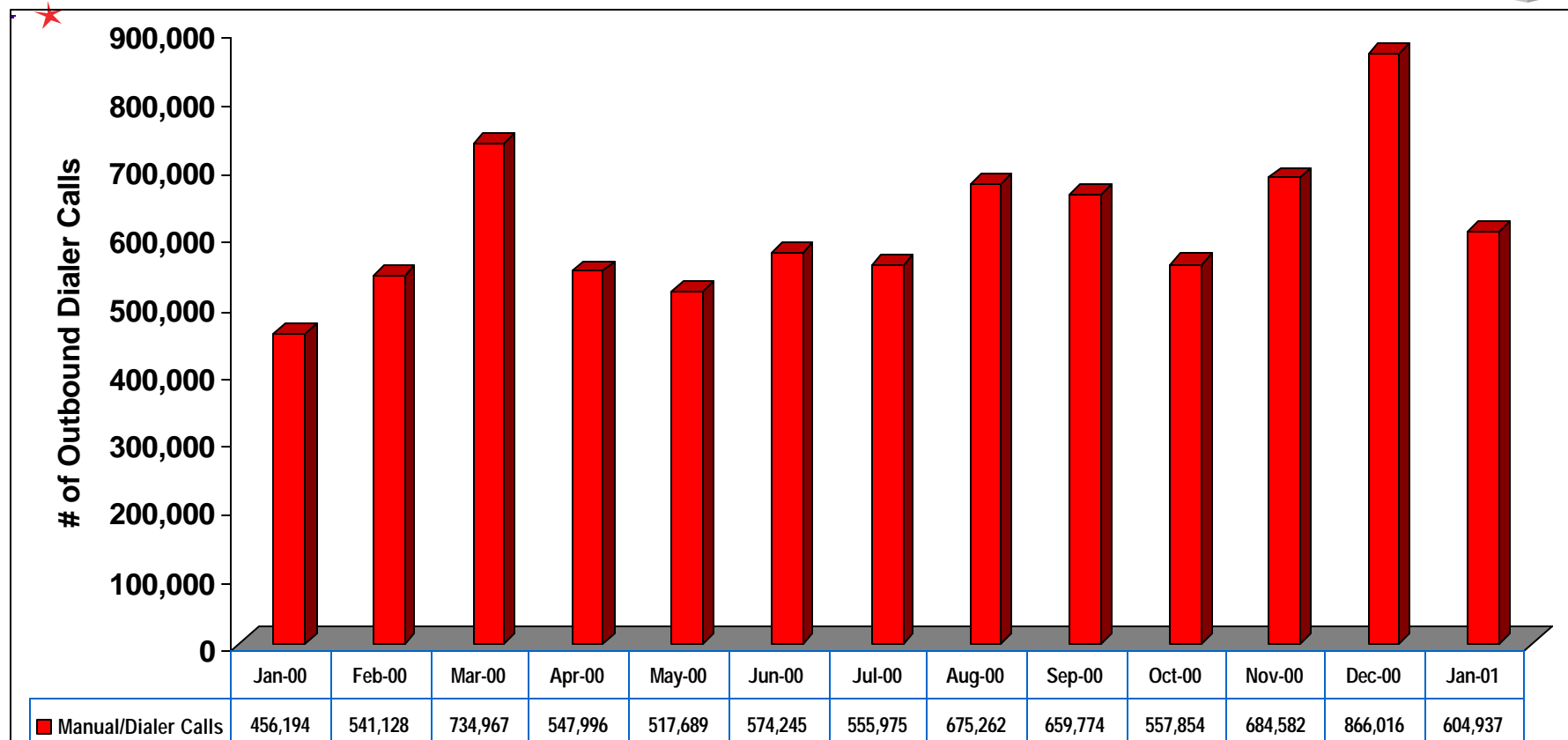
# Average Speed of Answer





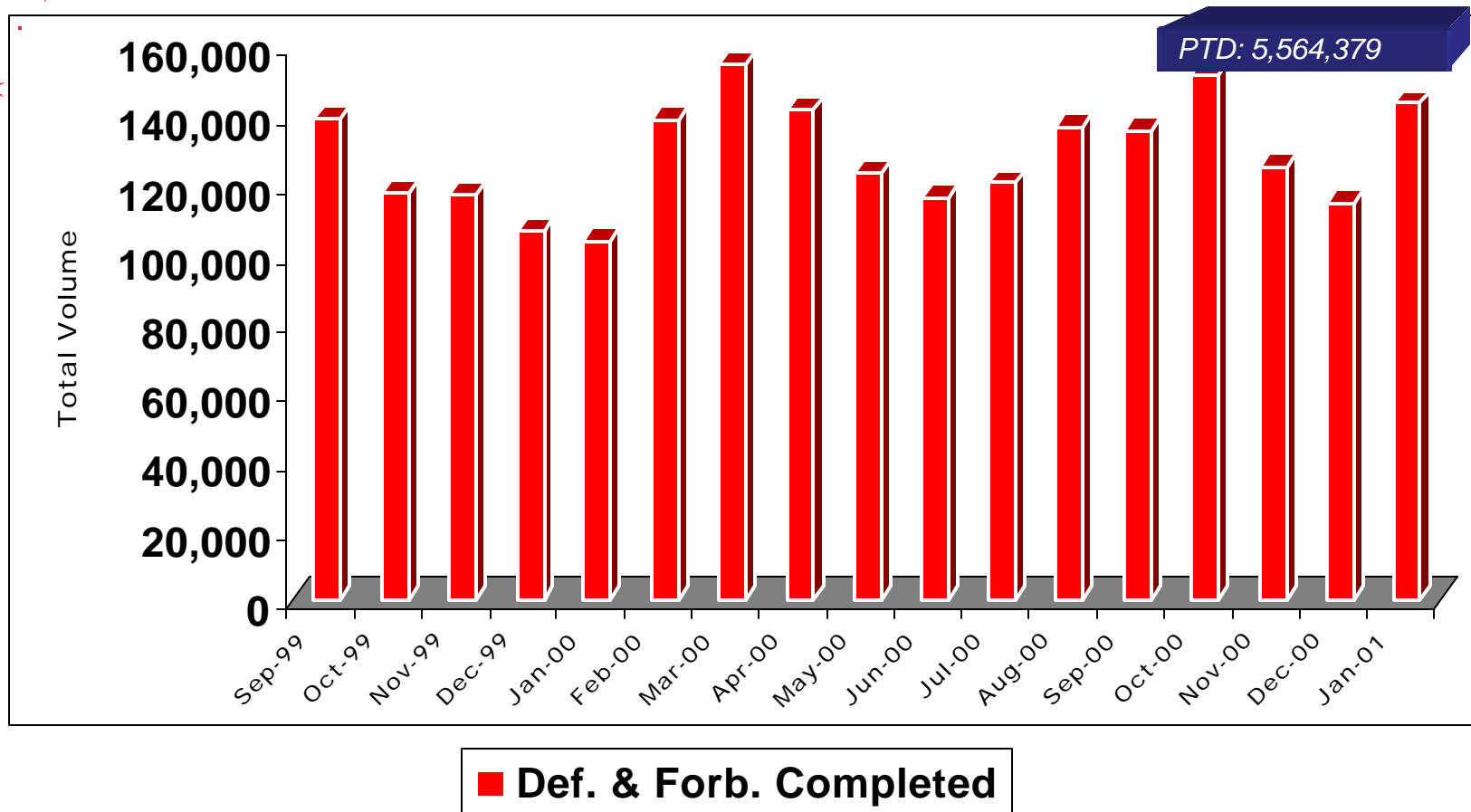


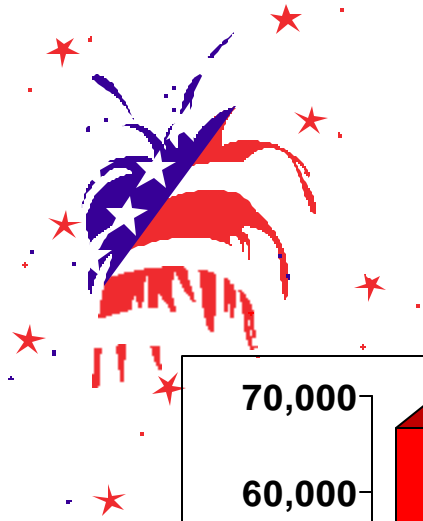
# Outbound Calls



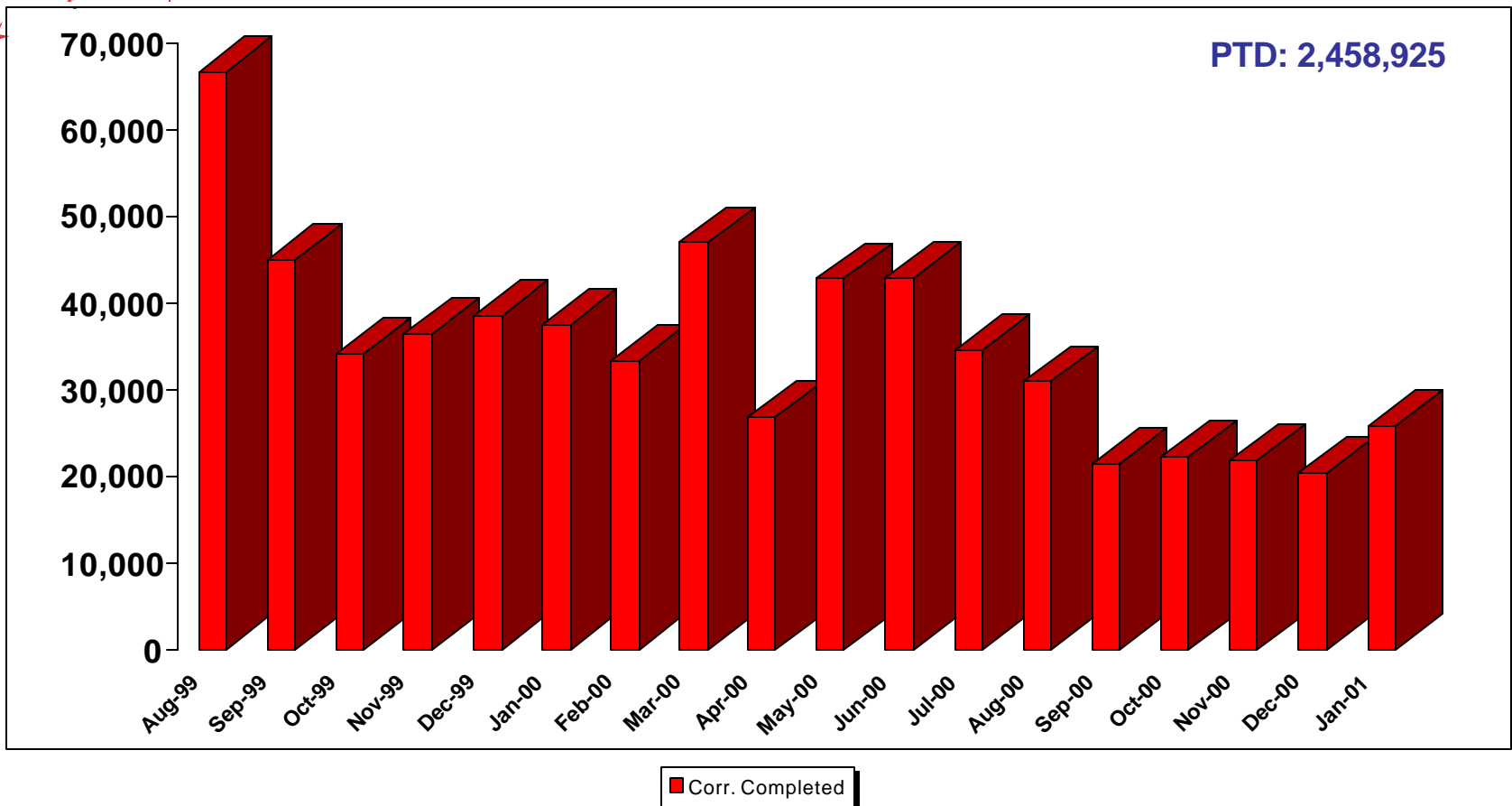


# Deferments and Forbearances Processed





# Correspondence Completed





# *Repayment Population Total # of Borrowers*

3,000,000

2,500,000

2,000,000

1,500,000

1,000,000

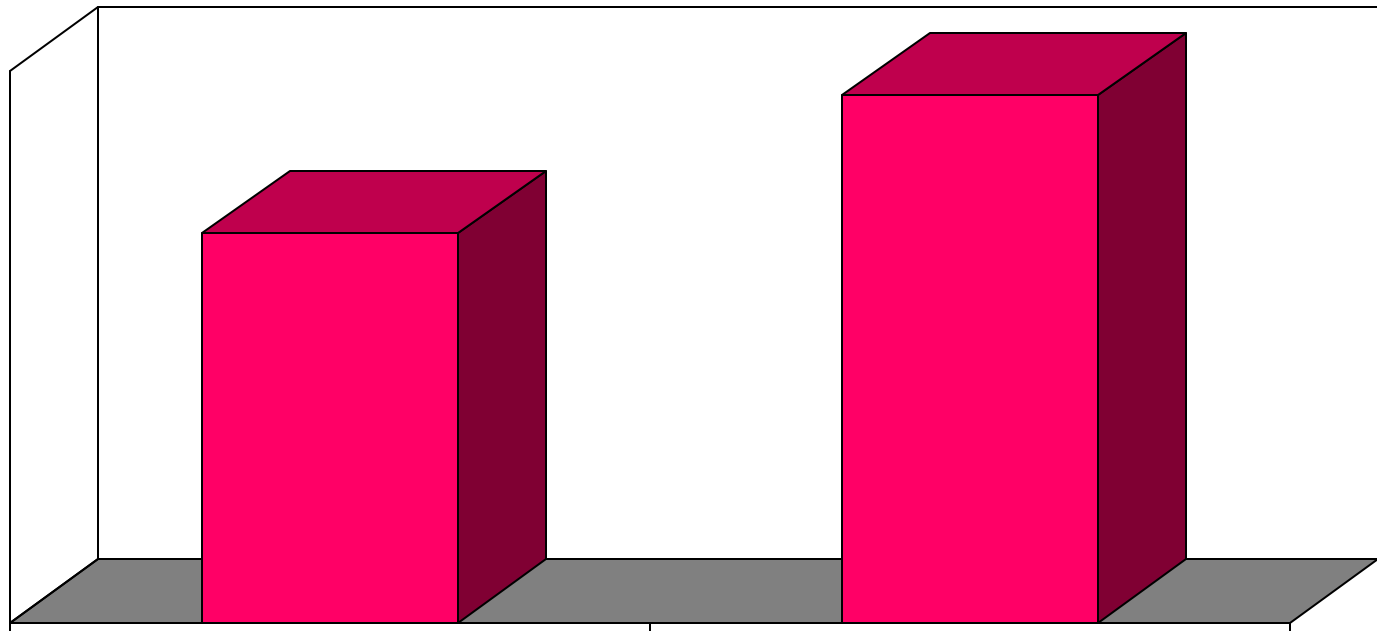
500,000

0

1999

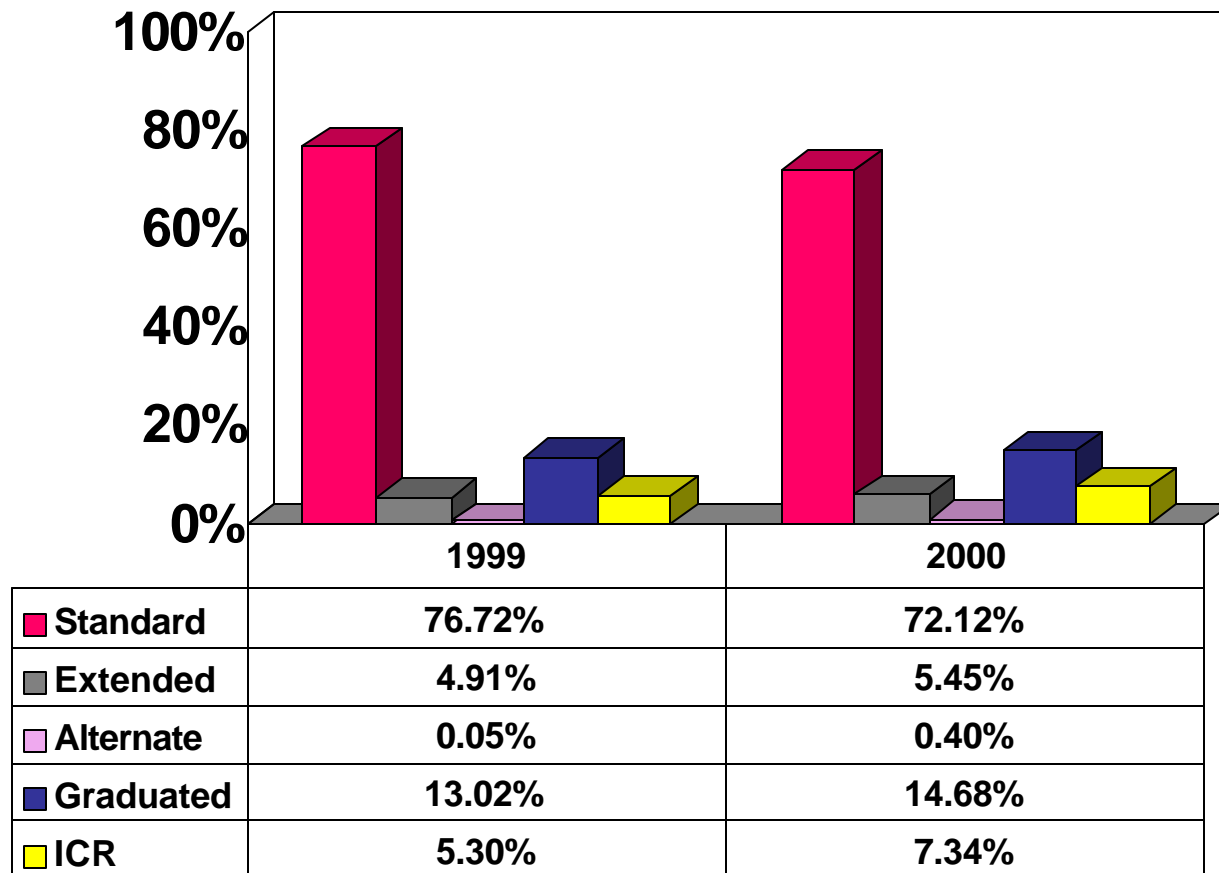
2000

Repay



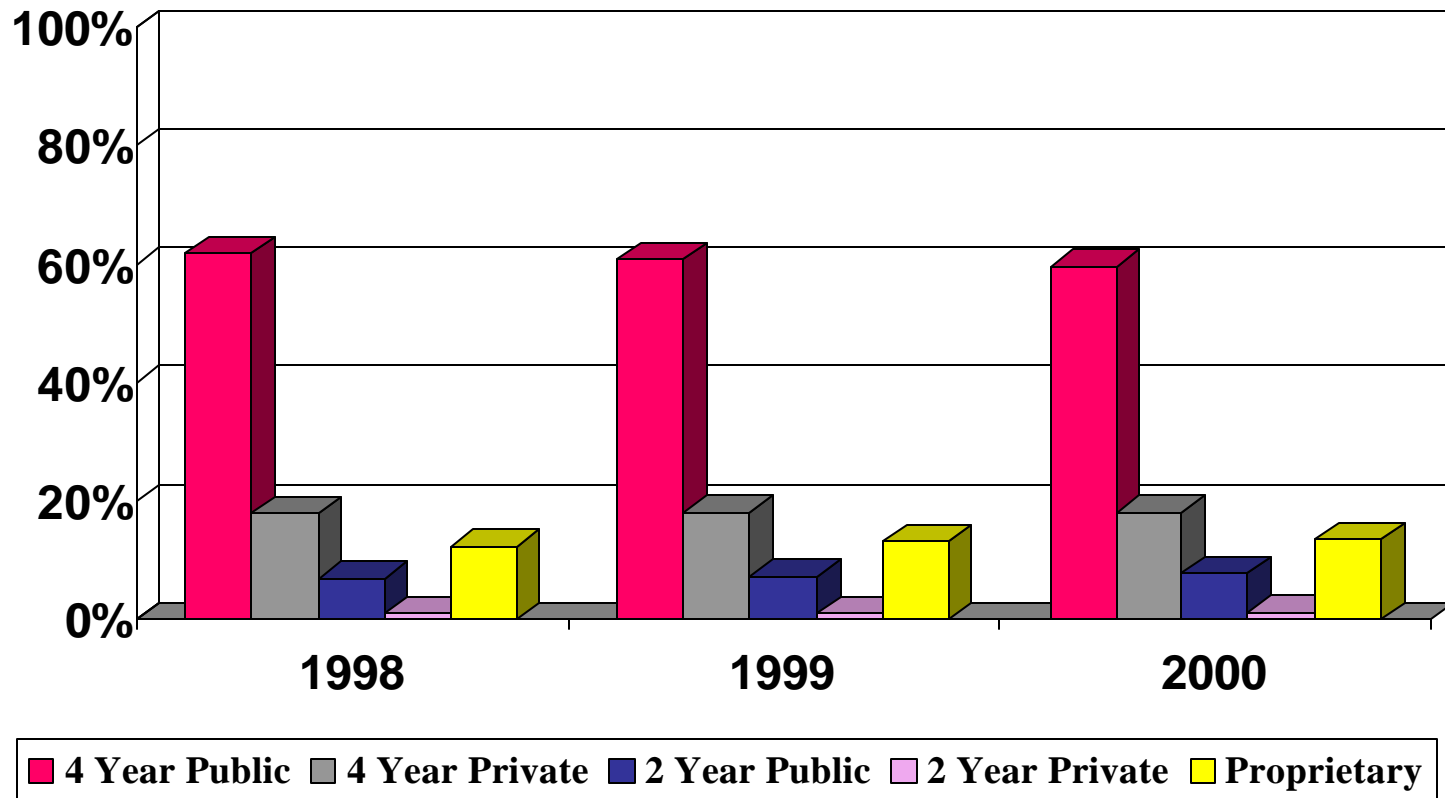


## ***Breakout By Repayment Plans***



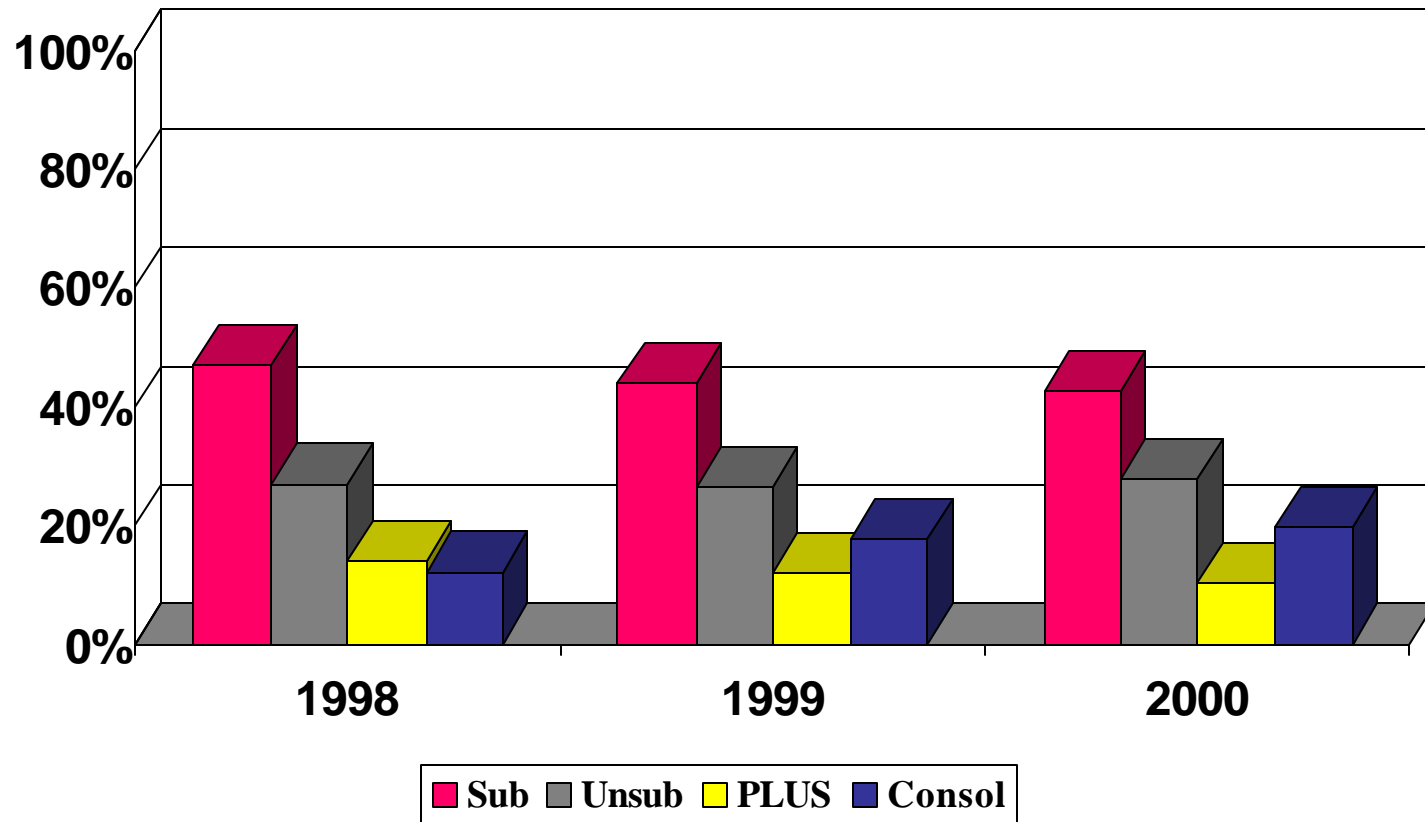


## *Repayment Borrowers by Institution Type*





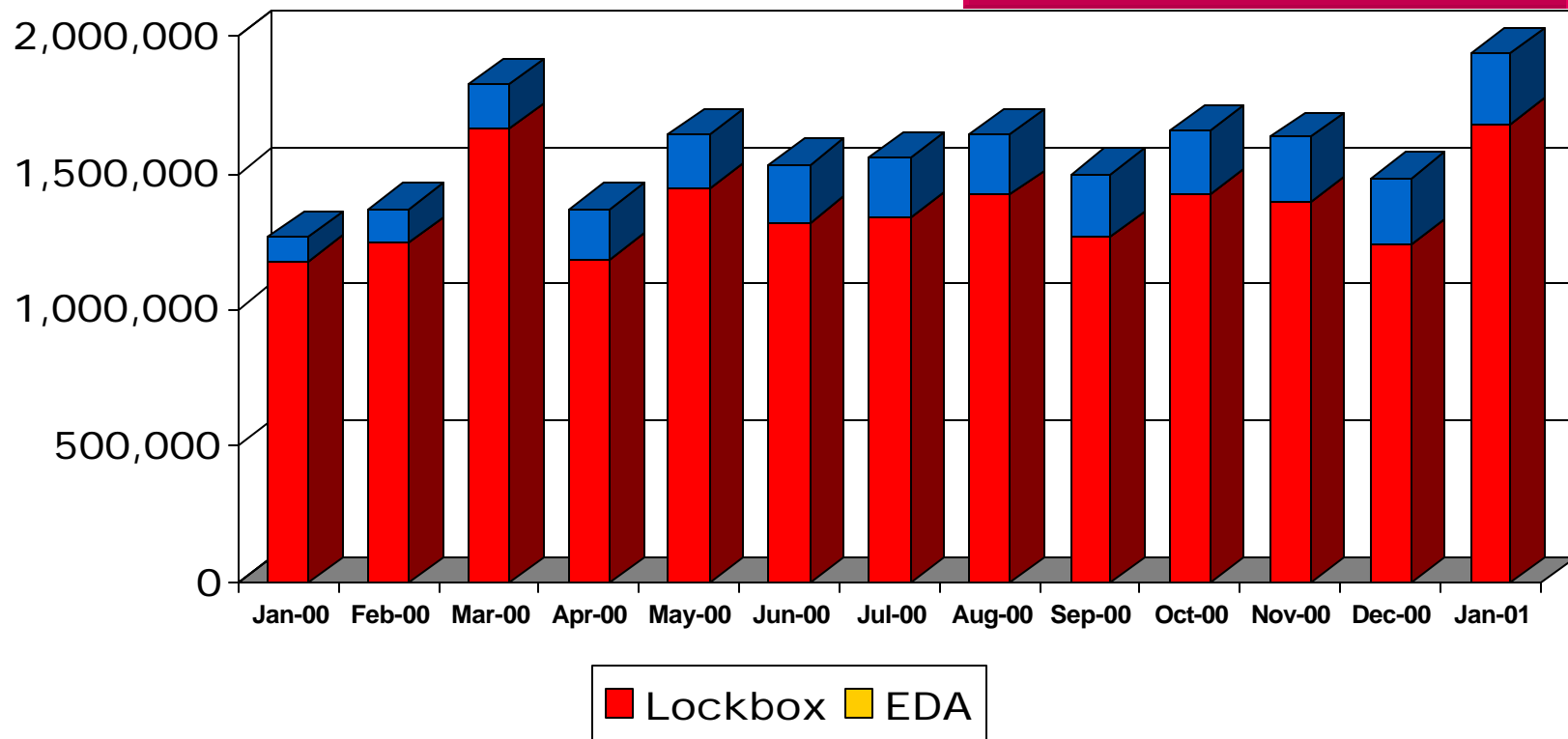
## *Repayment Borrowers by Loan Type*





# Monthly Payment Volume

Program-to-Date  
# of Payments Received 52,343,401  
\$11 Billion Dollars



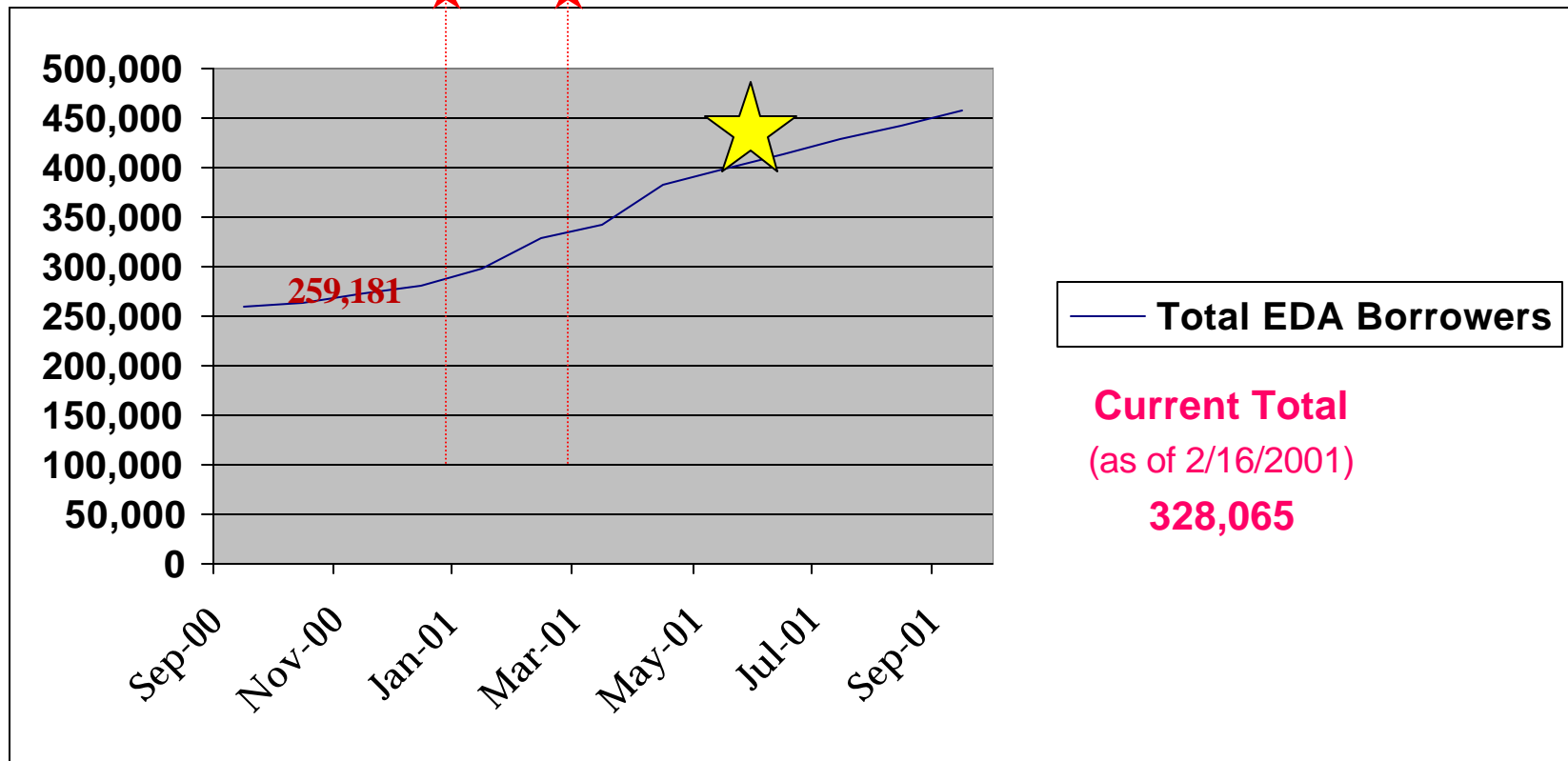




# Electronic Debit Account (EDA) Fiscal Year 2001

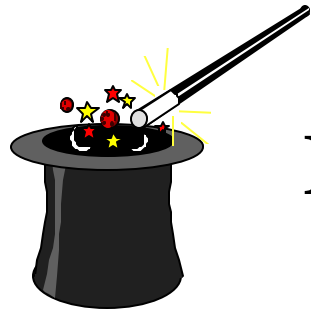
DMR 8446 - Mass  
Mailing of 2.5M New  
EDA Brochure

Task Order 84 Implementation  
online EDA Enrollment





# Default Prevention



**It Doesn't Magically  
Happen!**



# ***Due Diligence***

## **What is Due Diligence?**

**Due Diligence is a level of required performance at the Servicing Center during the delinquent period. Due Diligence is an "attempt" to counsel borrowers on the status of their student loans and offer alternative solutions to resolve delinquency.**

## **Methods Used in the Due Diligence Process**

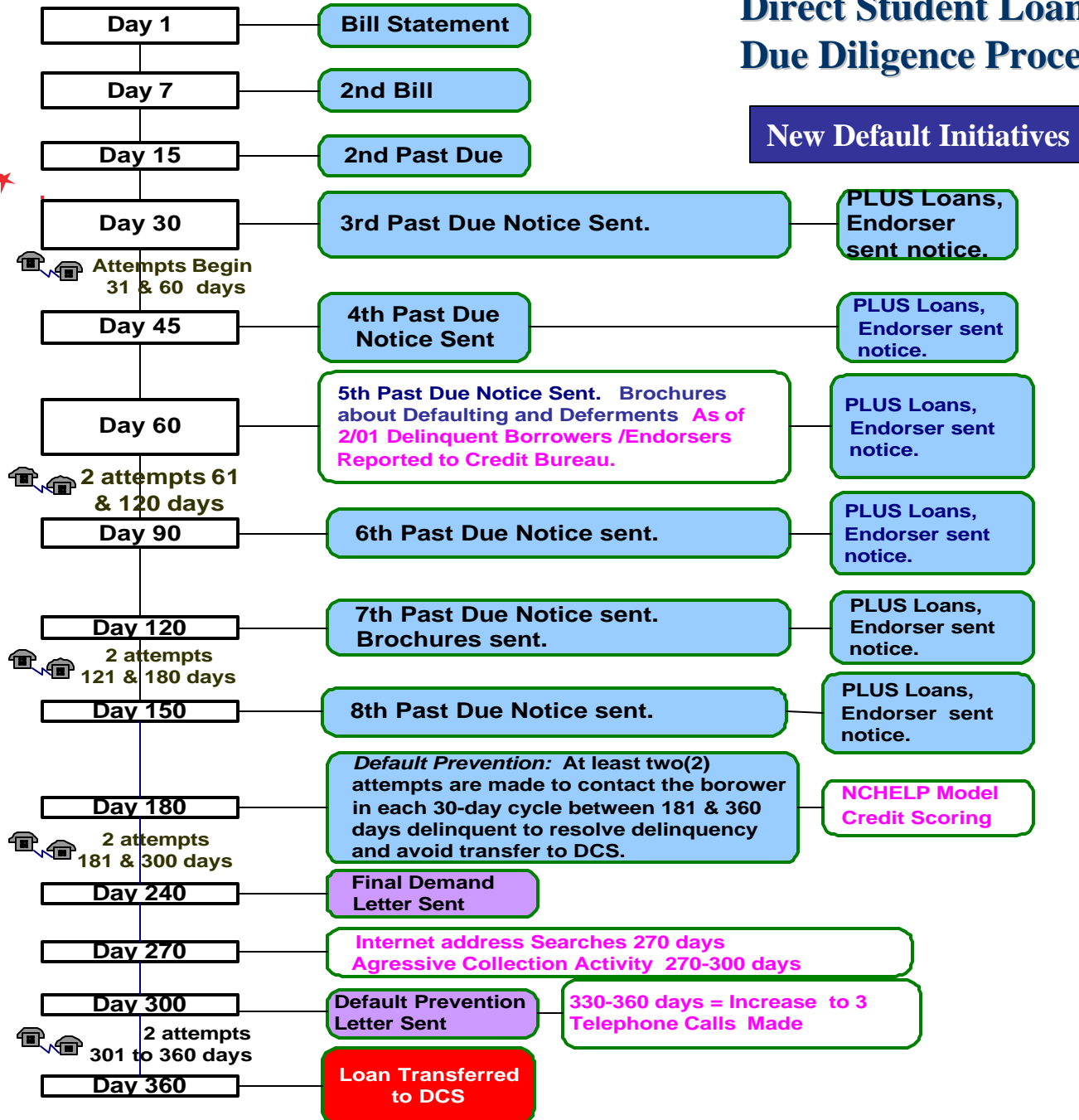
- **Telephone Attempts**
- **Bills/Notices**
- **Educational Material (About Default)**
- **Reporting to National Credit Bureau**
- **Skip-tracing**



Customer Care is about Default Prevention.  
"There is always a solution!"



## Direct Student Loan Due Diligence Process

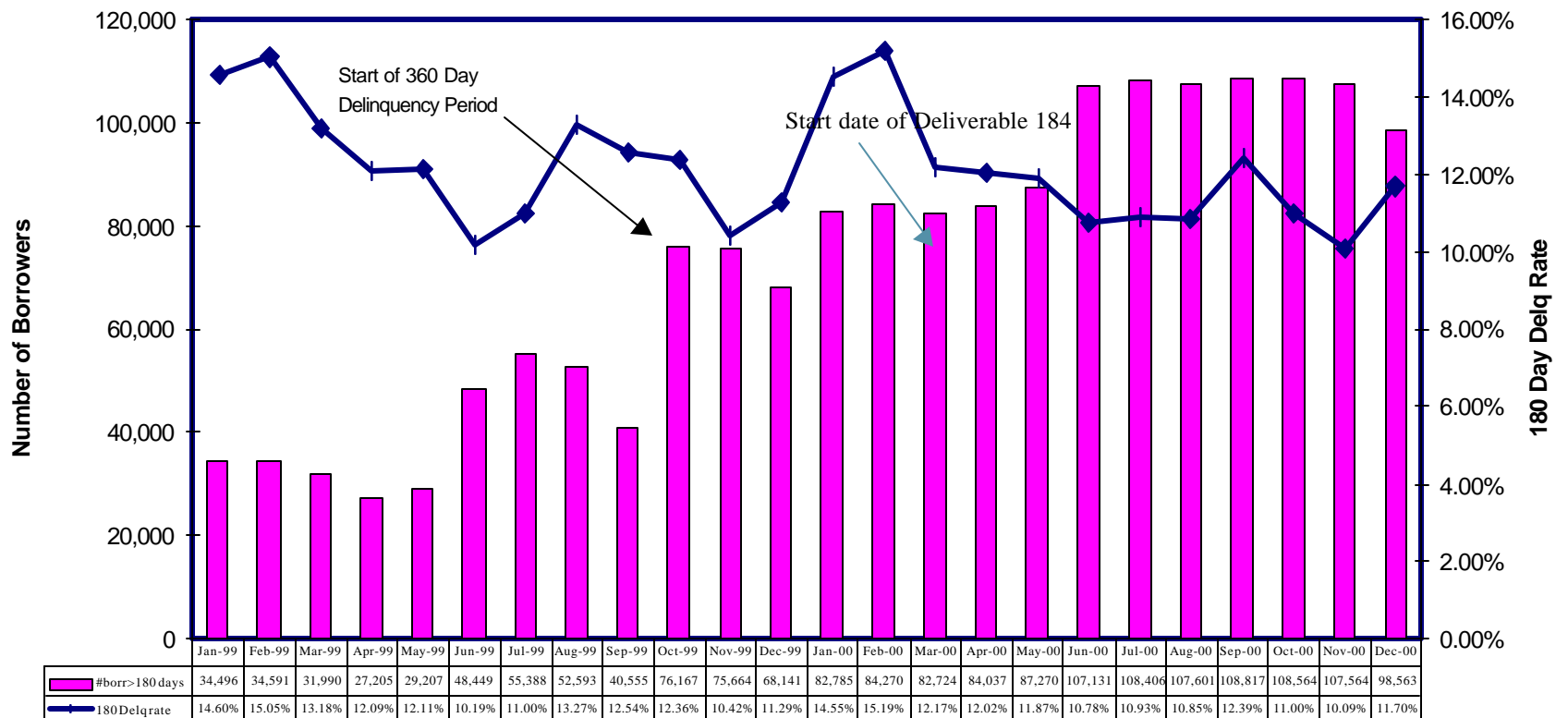




Sue, This one needs to be decreased in months.

## - Loan Counseling Delinquency Rate -

180 Day Delinquency Rate Compared to Number of Borrowers Greater Than 180 Days





## ***- Loan Counseling New Default Initiatives -***

### **Beyond Borrower Attempts...**

- New **follow-up** queue to the Autodialer System
  - “Promise to Submit” documents for severely delinquent borrowers
- Use **NCHLP** Default Credit Scoring Model on Post 180 accounts
- Conduct **e-mail address searches** on the Internet on 270-days
- Promote **aggressive collection activity** on the 270-300 days
- Increase to **3 telephone calls** to reach 330-days
- Focus efforts on borrowers who demonstrate a higher likelihood to cure their default

“There is always a solution!”



## ***- Loan Counseling New Default Initiatives -***

### **Beyond Borrower Attempts...**

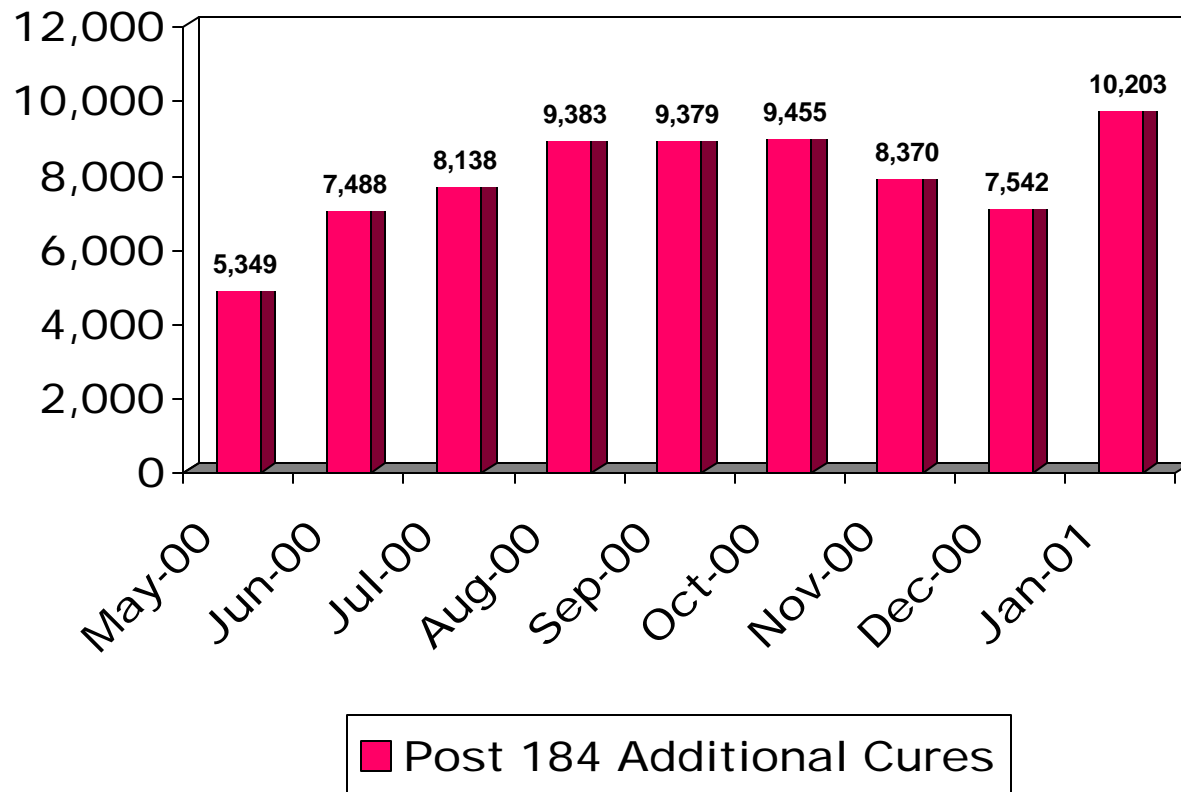
- CenterForce Technologies, Inc.--Added CenterForce Optimizer software to increase borrower contact rate by capturing “**best time**” to call
- Conducting research for **new Directory Assistance** services
  - Evaluating the Reach 411.com address search capability
- Counsel on the **types of alternative solution methods** to prevent borrower default

“There is always a solution!”



# ***- Loan Counseling Default Prevention Results -***

## **Results of New Loan Counseling Initiatives!**







# ***- Loan Counseling Operations -***

## **Customer Care Default Prevention Solutions...**

- Change credit bureau reporting standards from 90-days to **60-days**
- New Loan Counseling "**Know Your Facts**" scripts to provide the best customer service resolution
- New **Spanish language instructions** for deferments and forbearances
- Streamline Disability Write-off Fraud Prevention process
  - **\$1+ Million Dollars saved to date**
- Extend Western Union Quick Collect Payment Service to **all** borrowers
- Evaluate overall **borrower contact success rates** of current Directory Assistance Services

"There is always a solution!"



## ***- Additional Efforts -***

### **Customer Care Default Prevention Solutions...**

- Exit Counseling
- New Autodialer System
- Grace Counseling
- Electronic Debit Accounting (EDA)
- Improved Communications
  - Fewer, better letters and notices
  - Web Applications
  - Graphics
  - E-mail
  - Improved VRU script



# **Cohort Default Rate Appeal Process**



By:  
Dan Hayward



## ***- The CDR Draft Appeal -***

### **■ Appeal Period**

- Draft CDR mailed on February 9, 2001
- Must be appealed 45 days from receipt
- All schools have been contacted by Utica

### **■ Documentation Required**

- Cover Letter on School Letterhead including OPEID
- List of Borrowers being challenged with supporting documentation (see Official Cohort Default Rate Guide)

### **■ Questions?**

- Contact School Services at (888) 877-7658

**! We want to make it “simpler”!**



# Development Update

- What we've done
- What we're doing





# ***What We've Done Since Our Last DL Conference***

- **Retired Central Data System (CDS)**
- **Modified Income Contingent Repayment (ICR) Processes**
  - Borrower placed on Interest Only awaiting income data
  - Servicing handles ICR Waiver requests with IRS
- **Reengineered Consolidation Payoff Process**
  - Reduced “Over/Underpayment” transactions
  - Simpler process for customer
- **Borrower Repayment Incentives**
  - EDA Interest Rate Reduction (.25%)
  - Up-Front Interest Rebate for on-time repayment
  - Consolidation Interest Rate Reduction for on-time repayment



## ***What We've Done (Continued)***

- **Implemented “In Military” Status**
- **NSLDS Improvements**
  - OPEID to the full 8 digits
  - Weekly Reporting from DL to NSLDS
  - Identifier Conflict resolution process implemented
- **Enhanced Welcome and Adjustment Letters**
  - Consolidate 7 days of data into a single Welcome letter
  - Modify Disbursement Adjustment Letters to identify adjustments at loan ID level



## ***What We've Done (Continued)***

### ■ **DL Borrower Web Site Enhancements**

- Account/Payment History
- NSLDS FFEL/Perkins data in Exit Counseling
- All Forms and Applications available for download
- Online Qualification and completion for Def/Forb
- Borrower Satisfaction Survey
- Electronic submission of General Forbearance and Unemployment Deferment
- Improved e-Mail processes
- Spanish SITE!
- EDA Application electronically
- IRS 1098E online

[www.dlservicer.ed.gov](http://www.dlservicer.ed.gov)





## ***What We've Done (Continued)***

### ■ **NEW Direct Loan Web Site for Schools!!!**

- Multiple Account look-up
- Exit Counseling Completion Data
- Contact Us
- FAQs
- PIN Access using Loan Origination online PIN
  - Only need one PIN
  - School controls authorization
  - User profiles
- e-Mail for Schools

[www.dlsvicer.ed.gov/schools](http://www.dlsvicer.ed.gov/schools)



## ***What We've Done (Continued)***

### ■ **Year 00-01**

- Supported EDEExpress
- Accept PYCO Transactions
- NSLDS Weekly Submission
- Retroactive Deferments
- Foreign Language Preference
- Improved Credit Bureau Reporting
  - Report Delinquency at 60 days
  - Report Endorsers
- Capture e-mail address



## ***- Upcoming Efforts -***

### **■ Web Enhancements**

- Borrower Delinquency Reporting Online (School Site)
- Borrower Personalization/Online Advisor (Borrower Site)

### **■ Support eSign Functionality**

### **■ eServicing**

- eBPP (Internet Billing)
- eOC (Online Correspondence)
- eCRM (Customer Relations Management)

### **■ Releases 1, 2 and 3**

- Teacher Forgiveness and T&P Disability Tracking
- Capitalized Interest and Fees on 1098
- School Specific Functionality for '02-'03



# Borrower Services Online

## <http://www.dlservicer.ed.gov>

Provides 5 million student borrowers with highly secure online services for:

### Account Information

View live account data - borrower information, account balances, payment history, real time payoff quotes

### Account Management

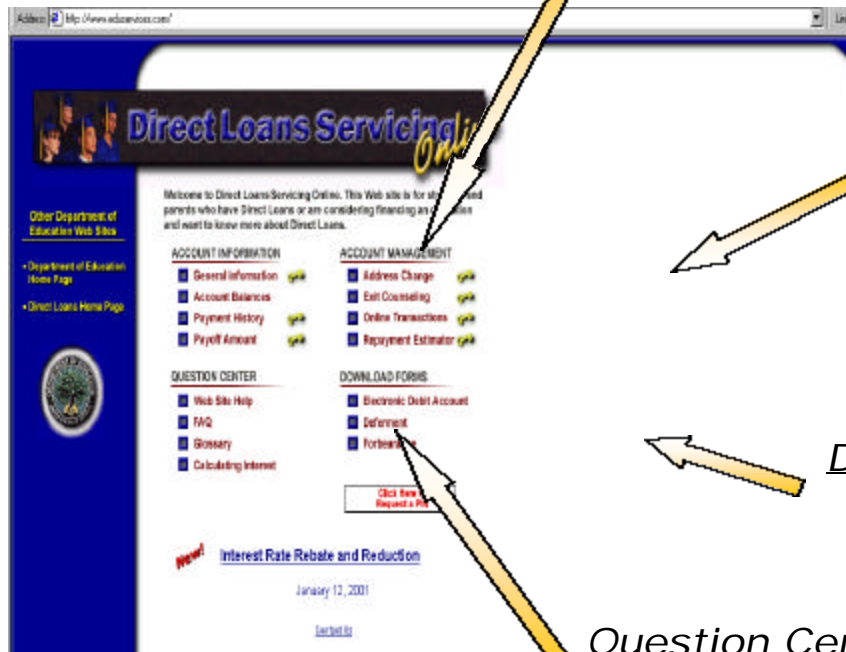
Update address  
Change payment options  
Complete Exit Counseling online  
Interactive deferment and forbearance qualifiers  
Online form submission

### Download Forms

Download loan-related forms directly, avoiding the time and expense of mailing

### Question Center

Online information resource for borrowers



# School Services Online



Other Dept.  
of Education  
Sites

Direct Loans  
Home

Direct Loans  
Servicing  
Demo

NSLDS



## Welcome to Direct Loans Servicing's Online School Site

This Web site is for our Direct Loans School Partners

This site allows schools to access Exit Counseling completion provides the ability to view account status information for borrowers currently attending your institution.

First, you must **log in** with your Direct Loans Origination Login. Once you have logged into the system, select the "Direct Loans Access" option from the "LO Online Main Menu."

A screenshot of the "DIRECT LOAN ORIGATION online" login page. The page has a blue header with navigation links: "Direct Loans Home", "FAQ", "Site Map", and "Contact Us". On the left is a sidebar menu with links: "LO Home", "Login", "Overview", "Privacy Notice", "Other Links", "Glossary", and "Helpful Links". The main content area is titled "Login to Loan Origination Online" and contains instructions: "Please enter your Loan Origination Login ID and Password, and press the Login button to access the system. If you do not have a Login ID, please refer to FAQ #1 for information on how to register with the system. For information on the type of browser to use with this application, please review our Site Requirements." Below the text are input fields for "Login ID:" and "Password:", followed by a "Login" button. At the bottom, there are two paragraphs of legal disclaimers in small red text, followed by a link to "How do I register to gain access to the LO online system?". The "Direct Loans" logo is in the bottom right corner.



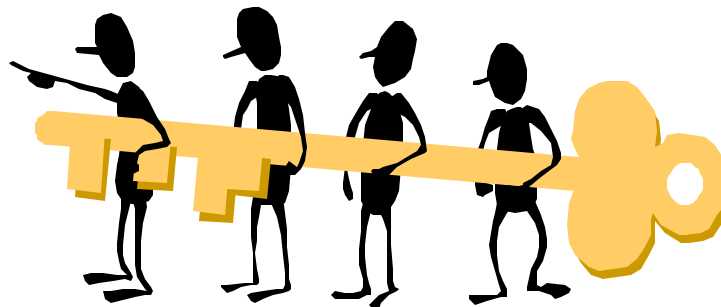
# ***Please Call Us!***

**EXPANDED Hours of Operation 8:00a.m. to 8:30p.m. EST  
Monday through Friday**

**Direct Loan School Services**

**1-888-877-7658**

***[www.dlsvicer.ed.gov/schools](http://www.dlsvicer.ed.gov/schools)***



**Working Together to Lower Lifetime Default Rates Through Default Prevention!**